

Senate File 310 - Introduced

SENATE FILE _____
BY COMMITTEE ON REBUILD IOWA
(SUCCESSOR TO SSB 1100)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act creating a disaster assistance loan and credit guarantee
2 program and fund, making appropriations, and providing an
3 effective date.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 1844SV 83
6 tm/nh/8

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1 1 Section 1. DISASTER ASSISTANCE LOAN AND CREDIT GUARANTEE
1 2 PROGRAM.
1 3 1. The department of economic development shall establish
1 4 and administer a disaster assistance loan and credit guarantee
1 5 program by investing the assets of the disaster assistance
1 6 loan and credit guarantee fund in order to provide loan and
1 7 credit guarantees to all of the following qualifying
1 8 businesses:
1 9 a. Businesses directly impacted by a natural disaster
1 10 occurring after May 24, 2008, and before August 14, 2008.
1 11 b. Businesses either locating an existing business or
1 12 starting a new business in a disaster-impacted space in an
1 13 area which was declared a natural disaster area by the
1 14 president of the United States due to a natural disaster
1 15 occurring after May 24, 2008, and before August 14, 2008. For
1 16 purposes of this paragraph, "disaster-impacted space" means a
1 17 building damaged by a natural disaster occurring after May 24,
1 18 2008, and before August 14, 2008, including undamaged upper
1 19 floors of a building that was damaged by the natural disaster.
1 20 c. Businesses filling a critical community need in
1 21 conformance with the comprehensive plan of the city as
1 22 determined by resolution of the city council of the city in
1 23 which the business is located. For purposes of this
1 24 paragraph, a business shall be deemed to be located in a city
1 25 if it is located within two miles of the city limits.
1 26 2. a. The department, pursuant to agreements with
1 27 financial institutions, shall provide loan and credit
1 28 guarantees to qualifying businesses described in subsection 1.
1 29 A loan or credit guarantee under the program shall not exceed
1 30 ten percent of the loan amount or twenty-five thousand
1 31 dollars, whichever is less. Not more than one loan or credit
1 32 guarantee shall be awarded per federal employer identification
1 33 number.
1 34 b. A loan or credit guarantee provided under the program
1 35 may stand alone or may be used in conjunction with or to
2 1 enhance other loan or credit guarantees offered by a financial
2 2 institution. The department may purchase insurance to cover
2 3 defaulted loans meeting the requirements of the program.
2 4 However, the department shall not in any manner directly or
2 5 indirectly pledge the credit of the state.
2 6 c. Eligible project costs include expenditures for
2 7 productive equipment and machinery, land and real estate,
2 8 working capital for operations, research and development,
2 9 marketing, engineering and architectural fees, and such other
2 10 costs as the department may so designate.
2 11 d. A loan or credit guarantee under the program shall not
2 12 be used for purposes of debt refinancing.
2 13 3. Each participating financial institution shall identify
2 14 and underwrite potential lending opportunities with qualifying
2 15 businesses. Upon a determination by a participating financial

2 16 institution that a qualifying business meets the underwriting
2 17 standards of the financial institution, subject to the
2 18 approval of a loan or credit guarantee, the financial
2 19 institution shall submit the underwriting information and a
2 20 loan or credit guarantee application to the department.
2 21 4. Upon approval of a loan or credit guarantee, the
2 22 department shall enter into a loan or credit guarantee
2 23 agreement with the participating financial institution. The
2 24 agreement shall specify all of the following:
2 25 a. The fee to be charged to the financial institution.
2 26 b. The evidence of debt assurance of, and security for,
2 27 the loan or credit guarantee.
2 28 c. A loan or credit guarantee that does not exceed fifteen
2 29 years.
2 30 d. Any other terms and conditions considered necessary or
2 31 desirable by the department.
2 32 e. That the loan or credit guarantee does not invoke or
2 33 pledge the credit or the taxing power of the state and that
2 34 any claim made pursuant to the loan or credit guarantee shall
2 35 be limited to the terms and amount of the loan or credit
3 1 guarantee and to the moneys in the disaster assistance loan
3 2 and credit guarantee fund.
3 3 5. The department shall charge a nonrefundable application
3 4 fee for each application under the program. The department
3 5 shall include the fee information in the application
3 6 materials. The fee is payable upon submission of an
3 7 application for a loan or credit guarantee from a financial
3 8 institution or a qualifying business. The application fee
3 9 shall be not less than five hundred dollars and not more than
3 10 one thousand dollars. Moneys received from fees are
3 11 appropriated to the department for purposes of administering
3 12 this section.
3 13 6. The department may adopt loan and credit guarantee
3 14 application procedures that allow a qualifying business to
3 15 apply directly to the department for a preliminary guarantee
3 16 commitment. A preliminary guarantee commitment may be issued
3 17 by the department subject to the qualifying business securing
3 18 a commitment for financing from a financial institution. The
3 19 application procedures shall specify the process by which a
3 20 financial institution may obtain a final loan or credit
3 21 guarantee.
3 22 7. a. A disaster assistance loan and credit guarantee
3 23 fund is created and established as a separate and distinct
3 24 fund in the state treasury. Moneys in the fund shall only be
3 25 used for purposes provided in this section. The moneys in the
3 26 fund are appropriated to the department to be used for all of
3 27 the following purposes:
3 28 (1) Payment of claims pursuant to loan and credit
3 29 guarantee agreements entered into under this section.
3 30 (2) Payment of administrative costs of the department for
3 31 actual and necessary administrative expenses incurred by the
3 32 department in administering the disaster assistance loan and
3 33 credit guarantee program.
3 34 (3) Purchase or buyout of superior or prior liens,
3 35 mortgages, or security interests.
4 1 (4) Purchase of insurance to cover the default of loans
4 2 made pursuant to the requirements of the disaster assistance
4 3 loan and credit guarantee program.
4 4 b. Moneys in the disaster assistance loan and credit
4 5 guarantee fund shall consist of all of the following:
4 6 (1) Moneys appropriated by the general assembly for that
4 7 purpose and any other moneys available to and obtained or
4 8 accepted by the department for placement in the fund.
4 9 (2) Proceeds from collateral assigned to the department,
4 10 fees for guarantees, gifts, and moneys from any grant made to
4 11 the fund by any federal agency.
4 12 c. Moneys in the fund are not subject to section 8.33.
4 13 Notwithstanding section 12C.7, interest or earnings on the
4 14 moneys in the fund shall be credited to the fund.
4 15 d. (1) The department shall only pledge moneys in the
4 16 disaster assistance loan and credit guarantee fund and not any
4 17 other moneys under the control of the department. In a fiscal
4 18 year, the department may pledge an amount not to exceed the
4 19 total amount appropriated to the fund for the same fiscal year
4 20 to assure the repayment of loan and credit guarantees or other
4 21 extensions of credit made to or on behalf of qualified
4 22 businesses for eligible project costs.
4 23 (2) The department shall not pledge the credit or taxing
4 24 power of this state or any political subdivision of this state
4 25 or make debts payable out of any moneys except for those in
4 26 the disaster assistance loan and credit guarantee fund.

4 27 8. For purposes of this section, "financial institution"
4 28 means a bank incorporated pursuant to chapter 524 or a credit
4 29 union organized pursuant to chapter 533.

4 30 Sec. 2. APPROPRIATION.

4 31 1. There is appropriated from any interest or earnings on
4 32 moneys in the federal economic stimulus and jobs holding fund
4 33 to the department of economic development for the fiscal year
4 34 beginning July 1, 2008, and ending June 30, 2009, the
4 35 following amount, or so much thereof as is necessary, for
5 1 deposit in the disaster assistance loan and credit guarantee
5 2 fund created in this Act:

5 3 \$ 1,800,000

5 4 2. Notwithstanding section 8.33, moneys appropriated in
5 5 this section that remain unencumbered or unobligated at the
5 6 close of the fiscal year shall not revert but shall remain
5 7 available for expenditure for the purposes designated until
5 8 the close of the succeeding fiscal year.

5 9 Sec. 3. EFFECTIVE DATE. This Act, being deemed of
5 10 immediate importance, takes effect upon enactment.

5 11 EXPLANATION

5 12 This bill creates a disaster assistance loan and credit
5 13 guarantee program and fund to be administered by the
5 14 department of economic development. Under the program, loan
5 15 and credit guarantees are given to qualifying businesses.
5 16 Qualifying businesses include businesses directly impacted by
5 17 a natural disaster occurring after May 24, 2008, and before
5 18 August 14, 2008; businesses either locating an existing
5 19 business or starting a new business in a disaster-impacted
5 20 space in an area which was declared a disaster area by the
5 21 president of the United States due to a natural disaster
5 22 occurring after May 24, 2008, and before August 14, 2008; and
5 23 businesses filling a critical community need in conformance
5 24 with the comprehensive plan of the city.

5 25 The bill provides that a loan or credit guarantee under the
5 26 program shall not exceed 10 percent of the loan amount or
5 27 \$25,000, whichever is less. The bill provides that a loan or
5 28 credit guarantee provided under the program may stand alone or
5 29 may be used in conjunction with or to enhance other loan or
5 30 credit guarantees offered by a financial institution. The
5 31 bill allows the department to purchase insurance to cover
5 32 defaulted loans.

5 33 The bill provides that eligible project costs include
5 34 expenditures for productive equipment and machinery, land and
5 35 real estate, working capital for operations, research and
6 1 development, marketing, engineering and architectural fees,
6 2 and such other costs as the department may so designate. The
6 3 bill prohibits the use of loan or credit guarantees for
6 4 purposes of debt refinancing.

6 5 The bill requires that each participating financial
6 6 institution shall identify and underwrite potential lending
6 7 opportunities with qualifying businesses. Upon a
6 8 determination that a qualifying business meets the
6 9 underwriting standards of the financial institutions, the
6 10 underwriting information and an application shall be submitted
6 11 to the department.

6 12 The bill specifies terms that must be included in a loan or
6 13 credit guarantee agreement between the department and a
6 14 participating financial institution. The bill allows a
6 15 nonrefundable application fee to be charged.

6 16 The bill allows the department to adopt procedures that
6 17 would allow a qualifying business to apply directly to the
6 18 department for a preliminary guarantee commitment.

6 19 The bill creates a disaster assistance loan and credit
6 20 guarantee fund. The bill provides that the department shall
6 21 only pledge moneys in the disaster assistance loan and credit
6 22 guarantee fund and not any other moneys under the control of
6 23 the department.

6 24 The bill appropriates \$1.8 million from any interest or
6 25 earnings on moneys in the federal economic stimulus and jobs
6 26 holding fund to the department of economic development for FY
6 27 2008=2009 for deposit in the disaster assistance loan and
6 28 credit guarantee fund.

6 29 The bill takes effect upon enactment.

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